

VZCZCXRO1157
RR RUEHCHI RUEHDT RUEHHM RUEHNH RUEHTRO
DE RUEHGO #0186/01 0710730
ZNR UUUUU ZZH
R 110730Z MAR 08
FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC 7283
RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHGG/UN SECURITY COUNCIL COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 1776
RUEHBY/AMEMBASSY CANBERRA 0984
RUEHKA/AMEMBASSY DHAKA 4788
RUEHNE/AMEMBASSY NEW DELHI 4536
RUEHUL/AMEMBASSY SEOUL 8075
RUEHKO/AMEMBASSY TOKYO 5636
RUEHCN/AMCONSUL CHENGDU 1382
RUEHCHI/AMCONSUL CHIANG MAI 1451
RUEHCI/AMCONSUL KOLKATA 0240
RUEATRS/DEPT OF TREASURY WASHDC
RHHMUNA/CDR USPACOM HONOLULU HI
RUEHGV/USMISSION GENEVA 3561
RHEHNSC/NSC WASHDC
RUCNDT/USMISSION USUN NEW YORK 1399
RUEKJCS/SECDEF WASHDC
RUEHBS/USEU BRUSSELS
RUEKJCS/JOINT STAFF WASHDC

UNCLAS SECTION 01 OF 03 RANGOON 000186

SIPDIS

SENSITIVE
SIPDIS

STATE FOR EAP/MLS
PACOM FOR FPA
TREASURY FOR OASIA:SCHUN

E.O. 12958:N/A
TAGS: [ECON](#) [EFIN](#) [PREL](#) [BM](#)
SUBJECT: DEVELOPING ECONOMY OF TAUNGGYI

Ref: 07 Rangoon 817

RANGOON 00000186 001.2 OF 003

11. (SBU) Summary. Taunggyi, the capital of Shan State, is one of the fastest growing cities in Burma. Unlike the rest of Shan State's population, 90 percent of whom work in the agricultural industry, Taunggyi's 200,000 people work in the industrial, trade, and services sectors. Taunggyi's economy centers around the trade of agricultural products, export of rubies from the nearby Mineshu mines, and the production of cars and machinery from the nearby industrial zone. According to local businessmen, Taunggyi's economy has grown by more than 20 percent in the past few years, with new businesses opening monthly. Despite Taunggyi's economic growth, only the wealthy - Chinese-Burmese businessmen and Chinese investors - can afford luxuries, such as cars, jewels, and entertainment. End Summary.

Vibrant Capital of Shan State

12. (SBU) The Shan State capital of Taunggyi, located more than 200 miles northeast of Rangoon, is home to a population of approximately 200,000 people. While Shan State is known best for its agricultural products, which are sent to cities throughout Burma as well as overseas, Taunggyi is anything but an agricultural city. Instead, the Shan State capital's economy focuses on trade, manufacturing, and services. These business ventures provide the some Taunggyi residents - mainly Chinese investors and Chinese-Burmese businessmen - with a sizeable income compared to average Burmese. Unlike other cities in Burma, Taunggyi is home to one movie theater, an Asia Light grocery store (owned by Steven Law), car dealerships, several upscale restaurants, a winery (owned by Germans), and several music and jazz cafes - all frequented by wealthy Burmese and Chinese businessmen.

. (SBU) Although the economy of Shan State depends upon agricultural production, the majority of businesses in Taunggyi are trading companies and/or wholesalers, many of which specialize in shipping agricultural products throughout Burma and to overseas destinations. According to Kanbawza Bank owner Aung Ko Win, more than 50 percent of businesses in Taunggyi act as middlemen for Shan State farmers. Those not involved in agricultural trade work with the mining industry, purchasing rubies and other gemstones from companies working in the Mineshu mines (100 miles outside of Taunggyi). Many of the gem traders sell the rubies directly to jewelry stores in Rangoon, although several Chinese-Burmese companies cut the stones and sell them directly to tourists and Taunggyi residents. The Mineshu mines continue to produce quality rubies, making the gem industry one of the fastest growing sectors in Taunggyi, Kanbawza Bank consultant U Nyo Myint told us.

14. (SBU) In the past five years, the number of businesses in Taunggyi has increased by 20 percent, with new businesses opening monthly, Kanbawza Bank consultant U Nyo Myint told us. Entrepreneurs and the younger generation continue to find new ways to do business, often looking to China for business opportunities. The computer industry is one of the city's hottest sectors, and people of all ages flock to computer training courses to improve their computer skills. Taunggyi also has a vibrant internet industry, and people visit the 15 internet cafes to check email and use chat programs.

15. (SBU) The largest single business in Taunggyi is Kanbawza Bank, with more than 183 employees working in the three-floor bank building. According to Aung Ko Win, the Taunggyi branch of the bank is its third most profitable branch, after Rangoon and Mandalay. The bank boasts more than 20,000 different accounts, held by both individuals and businesses, and has more than 200 safe deposit boxes available for rent. Trade accounts for the majority of the bank's

RANGOON 00000186 002.2 OF 003

business, as local businesses use the bank for their transactions in Rangoon and Mandalay. Additionally, the bank provides credit to

businesses, loaning between 10,000-1 million kyat (between \$9-950) per client.

Developing the Industrial Zone

16. (SBU) Taunggyi is also home to one of Burma's 18 industrial zones (Reftel). Currently, 720 businesses operate in the Aye Thar Yar Industrial Zone, although most are small operations with less than 100 workers, rather than large factories found in Rangoon and Mandalay. Workers' salaries are in line with national salaries, with skilled laborers working 48 hours, 6 days a week and earning an average salary of 30,000 kyat (\$25) per month. Most businesses in the Aye Thar Yar Industrial Zone work in the manufacturing sector, building cars and light trucks, heavy machinery, spare parts, and iron welding. Several companies process food for both human and animal consumption. According to U Aung Too, General Manager of Mai Tong Shan Star car factory, the industrial zone continues to expand, with new factories opening each year. The GOB touts the Taunggyi industrial zone as a success, noting that the development of the industrial sector provides employment to more than 7,000 workers.

Enter the Chinese

17. (SBU) Although Taunggyi has a relatively small population of Chinese merchants and Chinese-Burmese businessmen compared to Mandalay and Lashio (in Northern Shan State), the number of Chinese businessmen living in Taunggyi has increased in the past five years, U Nyo Myint told us. Accurate immigration statistics are unavailable, he explained, but he estimated that the Chinese population has increased approximately twenty percent since 2002. Indeed, Chinese influence in Taunggyi is apparent, as many store fronts have names in slogans in both Chinese and Burmese, there are several Chinese schools in the city, and we saw five Chinese temples on the main road of Taunggyi alone.

18. (SBU) According to Aung Ko Win, Chinese businessmen and Chinese-Burmese entrepreneurs are active in the hotel and tourism industry, own restaurants and computer stores, and work as gem merchants and traders. Chinese businessmen frequently visit Taunggyi, looking for investment opportunities in the gems and mining sectors, he continued. The Regional Commander often meets with them to encourage increased investment and partnerships between Burmese and Chinese companies. During our trip, we observed two Chinese businessmen visiting with Chinese-Burmese traders, discussing new markets for Burmese agricultural products. U Tun Aye, member of the Southern Shan State Chamber of Commerce, told us that agricultural trade between Shan State and China has increased during the past five years, as Burmese traders export sesame, ginger, garlic, and onions to China.

Comment

19. (SBU) Taunggyi's economic growth shows the importance of Chinese businesses in Burma's economy. The wealthiest people in Taunggyi either are of Chinese descent or are Chinese businessmen, speak Chinese, or have business dealings with companies in China. Although many of the businessmen we met spoke positively about Chinese investment in Taunggyi, we observed some resentment of the "rich Chinese" among the poorer workers in the industrial zones. Resentment against the Chinese is growing throughout the country as the Burmese see the Chinese move in and become wealthy while most Burmese find it increasingly difficult to survive. Anti-Chinese sentiment adds to the popular discontent against continued military

RANGOON 00000186 003.2 OF 003

rule in Burma.

VILLAROSA